

Office of Community Development

July 21, 2006

2007 Housing Resource Fund Notice of Funding Availability (NOFA)

MSHDA's Office of Community Development (OCD) is announcing the availability of funding for grants from the Housing Resource Fund (HRF). Through this fund, OCD provides a flexible housing and community development resource for nonprofit organizations and local governments. HRF funds are used to support local housing and community development activities, with an emphasis on projects that ensure sustainable and livable communities—large and small—in Michigan. Through the HRF, OCD works to **promote the development of communities of choice—vibrant, affordable, diverse environments where people choose to live and stay.**

Who can apply?

- Local units of government that are not local HOME Participating Jurisdictions (PJs).
- Local HOME PJs that receive less than \$500,000 HOME allocation from HUD, ***if all of the following apply:***
 - (a) the project is explicitly aligned with Michigan's Cities of Promise or Cool Cities Designated Neighborhood priorities,
 - (b) the project is in a high-density, mixed-use, pedestrian-friendly neighborhood,
 - (c) the project promotes diversity within the target area,
 - (d) there is dollar-for-dollar leverage from the Local PJ, and
 - (e) the project does not supplant existing PJ funded activities.
- Nonprofit organizations with a 501(c)(3) designation, including Community Housing Development Organizations (CHDOs). Nonprofit applicants applying for funding for projects to be implemented *within* the boundaries of a local HOME Participating Jurisdiction (PJ) must be a MSHDA-designated CHDO and receive a 100 percent leverage from the local PJ to be eligible for HOME funds.

What are the 2007 HRF application deadlines?

Window 1:	September 1-10, 2006
Window 2:	January 1-10, 2007
Window 3:	May 1-10, 2007

Funding decisions will generally be made within 60 days following the deadline for each Window and announced a short time later.

Note: Applications in process may be saved on the website www.mshda-opal.org and accessed as often as necessary until they are complete (organizations which are not current OPAL users should contact their CD Specialist (see [attachment](#))). Applications may not be submitted to MSHDA on-line, however, outside the three 10-day windows noted above; and regardless of the day of the week on which the 10th of the month falls, applications must be submitted by midnight of the 10th of September, January or May. A "saved" application is not the same as a "submitted" application on OPAL (formerly, Intelligrants). MSHDA will not receive an application until it is "submitted" by the appropriate person.

Open application process: OCD recognizes that some projects may be time-sensitive, e.g., Rental Development, Neighborhood Preservation Projects and other projects involving substantial advance

planning and/or site-control constraints and costs. OCD will consider these applications at any time during the year, for good cause.

How can the Housing Resource Fund be used?

The Office of Community Development targets HRF expenditures in order to maximize the benefit to the community for the physical improvement of housing. To achieve this result, HRF grantees identify target area(s), indicate the results for the target area(s) that they expect to achieve through the project, explain why these results are in the public interest, and describe how these results will be measured. Generally, grant funds from the HRF are used to stimulate investment by current and prospective property owners in affordable housing.

The desired result of Housing Resource Fund grants is to promote the development of communities of choice—vibrant, affordable, diverse environments where people choose to live and stay. To achieve this result, the HRF provides incentives supporting local strategies that show promise of attracting investment in the creation of high-quality affordable housing, which is an asset to the community. HRF projects depend on customer focus for their success; they need to influence the behavior of current and prospective property owners—increasing their motivation and/or financial ability to invest in real estate in the target area, and/or the real estate market in which it is located.

In order to influence people's attitudes and change their behavior about how they spend their housing dollars, the HRF supports projects which demonstrate the potential to impact investment choices. With the limited resources of the HRF, this is most likely to occur ***by creating visible change in a target area.*** *This target area should be appropriate to the scale of the project, and should demonstrate the potential and need for positive change in investment behavior or to increase the number and quality of affordable housing opportunities in a local community market.* By appropriate targeting, limited HRF dollars can help tip the balance in the target area, and make a difference not only for the households directly assisted, but for other residents of the target area as well as those in the surrounding community. HRF investments are expected to result in measurable impacts such as increased diversity of owner-occupants and/or attraction of new investment. HRF funds for a given target area are very limited, and are more effective when partnered with economic development, infrastructure, public service and other investments.

The type of activity proposed should be appropriate for the target area. For example:

- Acquisition-Development-Resale units for revitalization should be sufficiently clustered and supported by other local activities so that visible change in neighborhood conditions and measurable improvement in perceptions of the neighborhood can be documented by the end of the grant period.
- Homebuyer Purchase/Rehab target areas should include a sufficient number of units offered for sale to provide buyers with a range of choices and enable grantees to conduct a continuing program, but units must be part of a community of housing and services.
- Downtown Rental Rehab units should be sufficiently clustered and supported by other local activities so that a visible change in the downtown residential population and improvement in economic vitality can be documented by the end of the grant period.
- Units for affordability, such as land trust units and very-low income units should be sited so that, over time, no area is negatively impacted by a concentration of very-low income and/or income-restricted units, but all units must be a part of a community of housing and services.

What programs and projects are eligible under the Housing Resource Fund?

Local programs and projects may be proposed under the following HRF Components:

- **Homebuyer assistance.** Activities include:
 - Acquisition, Development and Resale (ADR) involving the rehabilitation of existing units for resale.
 - Acquisition, Development Resale (ADR) involving new construction. This activity is now covered by Michigan's **new PA 182 of 2006**, which requires a minimum of 50 percent of new unit production meet a "visitable" threshold of accessibility for wheelchair users (see [attachment](#)). OCD may permit waivers for certain visitability requirements of the act, but only for cause (e.g., cost exceeds subsidy limits, specific site restrictions, etc.), and
 - Homebuyer Purchase Rehabilitation (HPR) through which the grantee provides development assistance to acquire and rehabilitate single-family homes for successful and affordable owner-occupancy for new homebuyers, and (d) Other models as may be proposed by prospective grantees that may be more appropriate to their local needs.
- **Homeowner Assistance.** OCD will consider targeted homeowner rehab programs through the 2007 HRF. However OCD can fund only those in which homeowner rehab is an integral part of a locally supported targeted revitalization/rehabilitation plan. Proposals which are submitted primarily to increase funding for county-wide or city-wide homeowner rehab programs will not be approved.
- **Rental Rehabilitation.** OCD will consider both targeted (especially downtown) and city-wide rental rehabilitation programs. In downtowns, applications that are part of a comprehensive downtown or gateway strategy for economic development will have priority. For city-wide programs, applications which demonstrate coordination with a substantial city-wide effort to improve the quality of affordable rental housing through effective licensing and code enforcement programs will have priority.
- **Rental Development.** MSHDA will consider investing in subsidized secondary loans for small-scale rental development projects (where the total of all units in the project is 24 units or fewer) where the project will address a clear community development objective and specific community need. For larger (12-24 units), more costly project, the community development impact of the project should be substantial and compelling (such as restoration of a conspicuous abandoned building) and low-income housing tax credits must be maximized. The development capacity of the grantee and the adequacy of other sources to minimize CD's investment must be evident and well documented. Note: Application deadlines do not apply to proposals for rental development. Applicants who intend to apply for funding for a small rental development project should contact their CD Specialist early in the process for an individual consultation.
- **Neighborhood Preservation Program (NPP).** OCD will consider activities that support a comprehensive neighborhood revitalization strategy including demolition, public improvements, beautification, commercial district revitalization, or marketing and education. Note: Application deadlines do not apply to proposals for an NPP. Applicants who intend to apply for funding for an NPP should contact their CD Specialist early in the process for an individual consultation and possible site visit. If OCD determines that the site may be appropriate for an NPP, MSHDA staff will develop an individualized application process involving a site visit and pre-application leading to possible invitation to submit a request for an NPP planning grant or a full application.

Various housing activities may be conducted under each of the above local program components as described in the *Housing Resource Fund Summary (HRF Summary)*, available on MSHDA's web site: www.michigan.gov/mshda, Nonprofits & Local Government.

OCD Funding Criteria: While the funding criteria for 2007 are largely unchanged from previous years, OCD recognizes the complexity of evaluating competitive applications for a range of activities in neighborhoods where a holistic impact is desired. As a result, OCD continues to create and update a variety of materials that should be seen as guides to help applicants submit strong applications, not as compliance requirements. This guidance is included as attachments to this NOFA:

- 1) *Continuum of Housing and Neighborhoods* which sets forth in a matrix format the neighborhood and program characteristics that are most likely to be funded under the Housing Resource Fund.
- 2) *OCD Investment Priorities* which provides further narrative guidance as to the types and characteristics of projects we believe are most likely to result in cost-effective production of units with a significant impact on the community.

Eligible applicants must demonstrate capacity to administer HRF resources effectively. As part of reviewing applications, OCD will evaluate the status of completed and currently funded projects. Proposals from applicants with many incomplete projects or substantial funding not yet committed may be deferred until future funding rounds. However, OCD will make these decisions on a case-by-case basis after considering an applicant's capacity, the need to maintain local production, and other market issues that may be impacting the local program.

Incremental Funding awards: Effective with the second application window in the 2006 HRF, OCD implemented an "Incremental Funding" methodology on some grants. Where a project involves the sequential production of projects not yet identified, OCD will make a partial funding award, along with indication of intent to fund the entire approved application. Funding for additional units will be released incrementally, as projects are successfully completed in a timely manner. This approach will avoid committing—and ultimately recapturing—funding that exceeds local capacity, market absorption, or other unanticipated factors.

Special Initiatives: OCD will consider funding for innovative program models, creative new endeavors, and statewide training programs that do not fit the above categories. These special initiatives will be considered outside the funding rounds on a case-by-case basis, following consultation with OCD staff.

What OCD initiatives are NOT included in the Housing Resource Fund?

The Office of Community Development supports programs and activities in addition to the Housing Resource Fund. Contact your CD Specialist for information on these other opportunities, listed below:

- **CDBG County Allocation Program.** In an effort to make CDBG housing resources available in all parts of the state, the Office of Community Development sets aside a portion of its CDBG Allocation for county governments on a population basis. CDBG resources set aside which are not claimed by county governments within the program's time frames may be transferred to the Housing Resource Fund.
 - **Pre-Development Loans.** Pre-Development loans are available to help nonprofit developers pay for pre-development expenses related to planning affordable housing developments from project conception through submission for financing (including the Office of Community Development, the Office of Multifamily Development and Construction, the Office of Supportive Housing and Homeless Initiatives, and/or the Low Income Housing Tax Credit Program).
- **CHDO General Operating Grants.** CHDOs receiving MSHDA HOME funds may be eligible for CHDO Operating Grants.

- **MSHDA and HUD supported Technical Assistance.** MSHDA has consultants available to provide technical assistance to nonprofit organizations and local units of government. These consultants provide guidance and training geared to increasing grantees' capacity to produce affordable housing.
- **Grants to Michigan Habitat for Humanity.** Local Habitat for Humanity affiliates are eligible for funding only by applying to Michigan Habitat for Humanity.

NOTE: Homeless Assistance Programs. All homeless assistance programs have been transferred to MSHDA's Supportive Housing and Homeless Services division; please contact Janet Irrer for additional information at 517-241-0599 or irrerja@michigan.gov.

How do I find out more?

For more information, please contact the Office of Community Development or your Community Development Specialist:

MSHDA Office of Community Development
735 East Michigan Avenue, P. O. Box 30044
Lansing, Michigan 48909
Phone: 517-373-1974
Fax: 517-241-6672
TTY: 800-382-4568

In addition, OCD will be offering regional informational meetings that will include discussion of the new 2007 HRF NOFA. Please check the Michigan Training and Technical Assistance website (www.MITTAC.org) for the location and time of the following regional meetings:

Monday, August 21 – Gaylord
Thursday, August 24 – Marquette
Monday, August 28 – Grand Rapids
Thursday, August 31 – Wayne County

Attachment: CD Specialist Contact List
 Public Act 182 of 2006 and explanatory materials
 Continuum of Housing and Neighborhoods
 CD Investment Priorities

**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
OFFICE OF COMMUNITY DEVELOPMENT
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**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
OFFICE OF COMMUNITY DEVELOPMENT**

CD SPECIALIST CONTACT LIST - COUNTY

County	CoC	CD Specialist	Backup	County	CoC	CD Specialist	Backup
Alcona	NE	James Espinoza	Julie Gardner	Lake	5CAP	Amy Korp-Ridge	Jodie Sparks
Alger	AM	Jim Davis	Shulawn Walker	Lapeer	HDC	Renee Conklin	Kelly Gram
Allegan	AL	Heather Fraizer	Jauron Leefers	Leelanau	NW	Jauron Leefers	Heather Fraizer
Alpena	NE	James Espinoza	Julie Gardner	Lenawee	JA	Jodie Sparks	Amy Korp-Ridge
Antrim	NW	Jauron Leefers	Heather Fraizer	Livingston	OL	Renee Conklin	Kelly Gram
Arenac	NE	James Espinoza	Julie Gardner	Luce	CLM	Jim Davis	Shulawn Walker
Baraga	BHK	Jim Davis	Shulawn Walker	Mackinac	CLM	Jim Davis	Shulawn Walker
Barry	SCM	Heather Fraizer	Jauron Leefers	Macomb	M	Heather Fraizer	Jauron Leefers
Bay	Bay	James Espinoza	Julie Gardner	Manistee	NW	Jauron Leefers	Heather Fraizer
Benzie	5CAP	Jauron Leefers	Heather Fraizer	Marquette	AM	Jim Davis	Shulawn Walker
Berrien	SW	Julie Gardner	James Espinoza	Mason	5CAP	Amy Korp-Ridge	Jodie Sparks
Branch	SCM	Jodie Sparks	Amy Korp-Ridge	Mecosta	MO	Amy Korp-Ridge	Jodie Sparks
Calhoun	SCM	Jodie Sparks	Amy Korp-Ridge	Menominee	MDS	Jim Davis	Shulawn Walker
Cass	SW	Julie Gardner	James Espinoza	Midland	Midland	James Espinoza	Julie Gardner
Charlevoix	NW	Jauron Leefers	Heather Fraizer	Missaukee	NW	Jauron Leefers	Heather Fraizer
Cheboygan	NE	James Espinoza	Julie Gardner	Monroe	MC	Renee Conklin	Kelly Gram
Chippewa	CLM	Jim Davis	Shulawn Walker	Montcalm	8CAP	Jodie Sparks	Amy Korp-Ridge
Clare	Clare	Amy Korp-Ridge	Jodie Sparks	Montmorency	NE	James Espinoza	Julie Gardner
Clinton	CA	Jauron Leefers	Heather Fraizer	Muskegon	MO	Amy Korp-Ridge	Jodie Sparks
Crawford	NE	James Espinoza	Julie Gardner	Newaygo	5CAP	Amy Korp-Ridge	Jodie Sparks
Delta	MDS	Jim Davis	Shulawn Walker	Oakland	OL	Renee Conklin	Kelly Gram
Dickinson	UP	Jim Davis	Shulawn Walker	Oceana	MO	Amy Korp-Ridge	Jodie Sparks
Eaton	CA	Jauron Leefers	Heather Fraizer	Ogemaw	NE	Julie Gardner	James Espinoza
Emmet	NW	Jauron Leefers	Heather Fraizer	Ontonagon	GO	Jim Davis	Shulawn Walker
Genesee	GEN	Renee Conklin	Kelly Gram	Osceola	MO	Amy Korp-Ridge	Jodie Sparks
Gladwin	Gladwin	Julie Gardner	James Espinoza	Oscoda	NE	James Espinoza	Julie Gardner
Gogebic	GO	Jim Davis	Shulawn Walker	Otsego	NE	James Espinoza	Julie Gardner
Grand Traverse	GT	Jauron Leefers	Heather Fraizer	Ottawa	O	Heather Fraizer	Jauron Leefers
Gratiot	8CAP	Kelly Gram	Renee Conklin	Presque Isle	NE	James Espinoza	Julie Gardner
Hillsdale	JA	Jodie Sparks	Amy Korp-Ridge	Roscommon	NW	Julie Gardner	James Espinoza
Houghton	BHK	Jim Davis	Shulawn Walker	Saginaw	SA	Jauron Leefers	Heather Fraizer
Huron	HDC	Kelly Gram	Renee Conklin	Sanilac	HDC	Kelly Gram	Renee Conklin
Ingham	CA	Jauron Leefers	Heather Fraizer	Schoolcraft	MDS	Jim Davis	Shulawn Walker
Ionia	8CAP	Jodie Sparks	Amy Korp-Ridge	Shiawassee	CA	Renee Conklin	Kelly Gram
Iosco	NE	James Espinoza	Julie Gardner	St. Clair	STC	Heather Fraizer	Jauron Leefers
Iron	UP	Jim Davis	Shulawn Walker	St. Joseph	SCM	Julie Gardner	James Espinoza
Isabella	8CAP	Kelly Gram	Renee Conklin	Tuscola	HDC	Kelly Gram	Renee Conklin
Jackson	JA	Jodie Sparks	Amy Korp-Ridge	Van Buren	SW	Julie Gardner	James Espinoza
Kalamazoo	K	Kelly Gram	Renee Conklin	Washtenaw	W	Heather Fraizer	Jauron Leefers
Kalkaska	NW	Jauron Leefers	Heather Fraizer	Wayne	WM/D	Shulawn Walker	Jim Davis
Kent	ACS	Heather Fraizer	Jauron Leefers	Wexford	NW	Jauron Leefers	Heather Fraizer
Keweenaw	BHK	Jim Davis	Shulawn Walker				

**STATE OF MICHIGAN
93RD LEGISLATURE
REGULAR SESSION OF 2006
Introduced by Reps. Wenke and Miller**

ENROLLED HOUSE BILL No. 4138

AN ACT to provide for standards of accessibility for certain publicly funded housing; and to provide for certain powers and duties of certain state authorities.

The People of the State of Michigan enact:

Sec. 1. This act shall be known and may be cited as the "inclusive home design act".

Sec. 2. As used in this act:

(a) "Applicant" means 1 or more individuals, corporations, nonprofit corporations, partnerships, associations, limited liability companies, labor organizations, mutual corporations, joint stock companies, trusts, unincorporated associations, trustees, and entities formed under the state housing development authority act of 1966, 1966 PA 346, MCL 125.1401 to 125.1499c.

(b) "Authority" means the Michigan state housing development authority created in the state housing development authority act of 1966, 1966 PA 346, MCL 125.1401 to 125.1499c.

(c) "Family residential real estate" means real property located in this state, to be newly constructed for residential purposes and intended for occupancy by a single family, 2 families, or 3 families and that is constructed using funds provided as a construction period loan, a bridge loan, or other temporary financing with a term of not more than 24 months and that are provided under the state housing development authority act of 1966, 1966 PA 346, MCL 125.1401 to 125.1499c. Family residential real estate does not include upper units in duplexes that are designed in an over-and-under fashion.

Sec. 3. Beginning January 1, 2007, at least 50% of family residential real estate that is to be newly constructed after December 31, 2006 and that is receiving funding under the state housing development authority act of 1966, 1966 PA 346, MCL 125.1401 to 125.1499c, shall be constructed so that the family residential real estate complies with the accessibility provisions of the Michigan building code adopted under the Stille-DeRossett-Hale single state construction code act, 972 PA 230, MCL 125.1501 to 125.1531, for type "B" dwelling or sleeping units as defined in section 1102.1 of the Michigan building code. Sec. 4. Each applicant for assistance from the authority shall submit an assurance on forms developed and provided by the authority that family residential real estate to be newly constructed after December 31, 2006 with funding provided by the authority shall comply with this act. (132)

Act No. 182
Public Acts of 2006
Approved by the Governor
June 6, 2006
Filed with the Secretary of State
June 9, 2006
EFFECTIVE DATE: June 9, 2006

Office of Community Development
Continuum of Housing for Neighborhoods (revised 3/28/2006)

Our mission is to invest in comprehensive efforts to move neighborhoods towards a state of health, improving the quality of line by promoting diverse, vibrant, affordable communities where people choose to live, stay, invest, and make a home.

Neighborhood Type (Funds Requested)	Redevelopment Neighborhoods	Revitalization Neighborhoods (including NPP)	Tipping Point Neighborhoods	Stable Neighborhoods	Other Initiatives: Rural & Small Communities
	Neighborhood Revitalization		Housing Opportunities		Co Allocation Program
Characteristics (how do we know it when we see it?)	<ul style="list-style-type: none"> • Pervasive blight • Social disorganization • Very low property values • Minimal owner-occupied housing • Abandoned and/or tax-reverted property • Limited neighborhood capacity for revitalization 	<ul style="list-style-type: none"> • High rental (typically >25% and increasing or stable); especially single-family rentals • Low owner-occupancy (typically >25%) • Signs of disinvestment with pockets of blight • Values lower than cost to develop • Marginal business/commercial 	<ul style="list-style-type: none"> • Rate of ownership increasing • Spot blight • Spot revitalization • Increasing land costs • Evidence of private investment • Higher degree of social organization • Higher level of business organization • Expanding commercial services for neighborhood residents 	<ul style="list-style-type: none"> • High homeownership • Stable/increasing property values • Healthy business/commercial • Ongoing investment by property owners • Often characteristic of small communities • Can include very high-cost resort markets 	<ul style="list-style-type: none"> • Rural housing • Small communities • Small cities

Assets (what are we looking for as a foundation to build on?)	<ul style="list-style-type: none"> • Strategic importance of neighborhood for the larger community • Local government leadership and support for targeted investment • Involvement by other potential funders/ stakeholders 	<ul style="list-style-type: none"> • Some capacity for neighborhood management and/or housing development • Sense of neighborhood identity • Some anchors for revitalization (nearby stable neighborhood, commercial, schools, parks, etc.) • Comprehensive revitalization plan or planning process • Local government leadership and support for targeted investment 	<ul style="list-style-type: none"> • Developers with knowledge of neighborhood market and opportunities • Walkable connections to services, commercial • Identified projects at market or near-market rates 	<ul style="list-style-type: none"> • Proximity to jobs and services • Reasonable feasibility and/or affordability gaps (affordability gaps may be large in high-cost markets) 	<ul style="list-style-type: none"> • Existing rural housing stock • Capacity to serve residents • Property owners willing to invest in housing as they are able
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Policy Objective (what are we trying to accomplish?)	<ul style="list-style-type: none"> • Arrest/begin to remove blight • Support existing property owners who want to remain • Partner with city and other existing stakeholders to identify, strategize and address unmet needs. • Support activities that will contribute to neighborhood redevelopment 	<ul style="list-style-type: none"> • Improve balance of homeownership and rental • Create feasible development opportunities to create and serve emerging market • Increase values to move neighborhood toward market rate • Strengthen social fabric/ neighborhood management capacity • Increase and support local private investment • Change public perception • Partner in addressing unmet needs 	<ul style="list-style-type: none"> • Stimulate private investment • Support local targeted development areas • Efficient use of resources • Neighborhood preservation • Increasing household wealth through homeownership 	<ul style="list-style-type: none"> • Make units affordable for low to moderate income families • Support local targeted investment areas • Efficient use of resources • Production of permanently affordable units in high cost markets (Ltd. Equity Ownership) 	<ul style="list-style-type: none"> • Allow aging in place • Prevent homelessness • Preserve existing housing stock • Improve rental housing in small communities, including downtowns • Promote owner investment • Promote income diversity in high cost markets • Support affordable investment for low-income families (PIP)
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Types of Projects and Activities/Cost per Unit (what does MSHDA CD have to offer?)	<ul style="list-style-type: none"> Neighborhood Stabilization (Demolition, neighborhood cleanup, etc.) Homeowner Rehabilitation or Modified Homeowner Rehab Enhanced Technical Assistance & Planning, or Significant Projects Leveraged Homeowners hip 	<ul style="list-style-type: none"> Acquisition/Development for Resale (ADR) \$40 - \$60K/unit Homebuyer/Purchase w/Rehab (HPR) \$30K unit avg. Rental Rehab \$25K/unit avg. Homeowner Rehab (HO) \$25K/ unit max Small Rental Dev. \$40/unit max Neighborhood beautification & Preservation activities (marketing, signage, landscaping, etc.) Targeted demolition 	<ul style="list-style-type: none"> Acquisition/Development for Resale (ADR) \$35 - \$50K/unit Homebuyer/Purchase w/Rehab (HPR) \$25K unit avg. Neighborhood Pres. activities Rental Rehab \$10-25K/unit Tipping Point DPA \$20/unit max Homeowner Rehab (HO) \$25K/ unit max Small Scale Rental Dev. \$40/unit max. Mezzanine financing 	<ul style="list-style-type: none"> Acquisition/Development for Resale (ADR) \$35 - \$50K/unit (up to \$60K in high cost only) Homebuyer/Purchase w/Rehab (HPR) \$25K unit Rental Rehab \$10-25K/unit. Tipping Point DPA \$20K/unit max. Small Scale Rental Dev. \$40/unit max. Mezzanine financing 	County Allocation Program Property Improvement Program (PIP) <ul style="list-style-type: none"> Homeowner Rehab (HO) \$25K/unit max (\$18K avg.) Rental Rehab \$25K/unit PIP loans up to \$25K/unit
Production Goals <ul style="list-style-type: none"> Projects Units Cost per unit 	Note: Not including production from related Cities of Promise allocation <ul style="list-style-type: none"> 80 ADR projects; avg. subsidy of up to \$60K/unit; avg. leverage of \$161,800/unit 30 HPR projects; avg. subsidy of up to \$25K/unit; avg. leverage of \$73,700/unit 20 Homeowner Rehab projects; avg. subsidy of up to \$25K/unit; avg. leverage of \$5,000/unit 20 Rental Rehab projects; avg. subsidy of up to \$25K/unit; avg. leverage of \$12,600/unit 		Note: Not including production from related Equity Ltd Homeownership allocation <ul style="list-style-type: none"> 18 ADR projects; avg. subsidy of up to \$50K/unit; avg. leverage of \$161,800/unit 96 HPR projects; avg. subsidy of up to \$25K/unit; avg. leverage of \$73,700/unit 69 Rental Rehab projects; avg. subsidy of up to \$25K/unit; avg. leverage of \$12,600/unit 		<ul style="list-style-type: none"> 320 Homeowner Rehab projects; avg. subsidy of \$20K/unit; avg. leverage of \$5,000/unit
Resource Allocation Amount	Note: Does not include related Cities of Promise allocation of \$3.1 million <p>\$1.5 million of MSHDA Reserves \$2 million in HOME \$4 million in CDBG</p>		Note: Does not include related \$1 million Equity Ltd Homeownership allocation <p>\$2 million in HOME \$3 million in CDBG</p>		\$8 million in CDBG

Time Frames	Applications accepted during three application windows (September, January, May). Applications for time-sensitive projects may be taken outside these application windows.	Applications accepted during three application windows (September, January, May). Applications for time-sensitive projects may be taken outside these application windows.	Biennial grants can be renewed between October 1 and January 31 st ; approximately half of all participating counties come up for renewal each year.
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<p style="text-align: center;">MSHDA Office of Community Development HOUSING RESOURCE FUND SUMMARY</p>

D. CD INVESTMENT PRIORITIES

The following priorities are intended to provide guidance regarding Office of Community Development priorities for investment by the Housing Resource Fund. Applicants for funding should consider these priorities as they plan projects to propose for funding.

INVESTMENT PRIORITIES

- **For projects in areas needing revitalization, HRF prioritizes projects that can be expected to have substantial positive community impact, such as projects in target areas that are highly visible and/or adjacent to traditional centers of commerce.** An important outcome from HRF projects is their anticipated positive effect on community investment patterns—as the housing and physical condition of real estate is improved, owners are encouraged to improve other property and the target area moves toward sustainability. The broader impact of these projects is felt where improvements are highly visible, such as locations near downtown or neighborhood commercial areas.
- **Targeted housing projects should contribute to the implementation of a local coordinated strategy.** Applicants for targeted programs should, at a minimum, identify in their application the issues that must be addressed to maximize the likelihood that housing units produced will contribute to the longer-term improvement of the quality of life in the target area. Since HRF funds are limited, these strategies have better prospects for success if they are supported by a number of local partners, including local government. Where substantial transformation in a target area is needed, such as for extensively disinvested neighborhoods and NPP target areas, local government and private sector commitments should be substantial. Similarly, agencies applying for funding for projects to house formerly homeless persons must be participating in the local continuum of care planning body and the proposal must be consistent with the needs documented in the community's gaps analysis and identified in the community's action plans, as documented by a letter of support.
- **Coordination with other state agencies contributes to the success of a revitalization strategy.** MSHDA works with other state agencies to coordinate initiatives to benefit communities. CD will consider the identification of a target area or development project by such initiatives as Children's Action Network, Neighborhood Enterprise Zone, Main Street, Cool Cities Designated Neighborhood, Michigan Blueprints or other focusing of resources as one factor in determining project priority, because such a designation leverages additional financial resources, improvement of services, and/or promotional assistance. These designations are not determinative for CD, however, and rarely make an otherwise marginal project worthy of funding, nor do they extend funding priority to other areas of a city beyond the actual neighborhood or impact area of the designated project.
- **Prior to undertaking new construction a plan for revitalization and evidence of on-going rehabilitation in target distressed areas should be in place.** If there is substantial evidence of blight, substandard infrastructure, deferred maintenance and/or boarded-up or abandoned structures, these should generally be addressed in a strategic plan and remediation well underway with visible improvement in neighborhood physical conditions prior to implementing significant in-fill new construction projects.
- **Acquisition/ Development/ Resale is a neighborhood-oriented strategy.** These programs should be targeted at neighborhoods where substantial rehab is not currently sustainable (i.e., is not economically feasible for the private sector), but where program activity may eventually be expected to increase housing values. As a result, A/D/R programs are most applicable to neighborhoods with (a) rehab stock available

at reasonable cost, (b) there are signs of disinvestment but no evidence of wholesale abandonment, and (c) housing units in close proximity to each other (so that improvements to properties in the program directly benefit adjacent units). These neighborhoods should also evidence (d) some presence of owner-occupants who maintain their properties, and (e) an active neighborhood group, preferably a CHDO, to support continuing revitalization efforts. Applicants should note that lasting revitalization in such areas depends on strategies to increase market values in the neighborhood; completed projects should be aggressively (i.e., professionally) marketed to the general public, typically by a Realtor-member of the local Multiple Listing Service, to maximize resale values. In neighborhoods where no comparable properties exist, properties may be listed for prices based on market analyses provided by competing prospective listing agents, to assure maximum sale price.

- **Acquisition/ Development/ Resale strategies may also be used to add affordable housing units in high-cost markets.** Since the creation of affordable opportunities for home ownership increases diversity (racial, economic, etc.) the creation of affordable housing in these markets is one of CD's Investment Priorities. However, since subsidies for homebuyer equity is more a "household" benefit than a "community" benefit (i.e., predominantly benefit the assisted household), such subsidies must be reasonable and, under HUD regulations, are subject to recapture (i.e., are secured by a mortgage). Where the per unit cost of homebuyer subsidies is high, CD will require that homeownership projects create permanently affordable homeownership opportunities (such as land trusts).
- **DPA with rehab is market-oriented (e.g., Homebuyer Purchase-Rehab).** These programs are generally best done in a broader target area to assure that appropriate options are available for buyers. These programs are appropriate for areas such as smaller communities and/or higher cost markets, where local market conditions render geographic clustering of units for revitalization either impossible or inappropriate. In such cases, grantees should be actively involved in the home shopping process to assure that participating families get a good value in a home that is close to services that the family uses most—especially with regard to places of employment and, secondarily, to essential retail services. Rehab measures under HPR should generally be limited to those which may otherwise necessitate a major repair expense within the next 5 years, or other repairs to improve the integrity of the structure (new windows to reduce heating costs, etc.). Eligible repairs should be spelled out in consistent local policy. Internal cosmetic changes or discretionary floor plan changes should be avoided.
- **ADR and HPR may be combined to support a comprehensive targeted strategy.** Increased homeownership is an important component of a targeted neighborhood revitalization strategy. Grantees may wish to implement projects using both ADR (to increase the supply of quality housing in the target area) and HPR (to incent buyers to consider investing in the target neighborhood) to approach the revitalization task from both the supply and demand perspective, simultaneously. The effectiveness of such a strategy depends on the grantee being adept at not only the identification and control of strategically important properties but also the implementation of buyer-focused programs, such as homeownership counseling. Such applications, however, must clearly distinguish the different goals of these programs, and should not fall into the trap of buying and rehabbing an ADR unit based on the consumer preference of a specific buyer family. The rule of thumb is that where the assisted family is selecting the unit, rehab should be moderate (typically, HPR). Where rehab is extensive, it should be because the site is important to the community as a whole, not just to a specific family.
- **Housing development should contribute to a sense of community and make efficient use of open space and existing infrastructure.** MSHDA will prioritize projects that increase activity and opportunities for private investment in community settings where housing, services and their supporting infrastructure are already in place. To the extent possible under local conditions, CD new construction projects will feature high quality homes on smaller lots, decreasing both infrastructure costs and any visible division in the community between the "old" and the "new." Assisted affordable new construction should at least be consistent with the general character of the housing throughout the community, including its older housing, enlarging the existing community rather than dividing it. New construction must be served by public water and/or sewer, and where appropriate, include curb-and-gutter, sidewalks, paved streets and other amenities consistent with and/or enhancing the surrounding neighborhoods.

CONSIDERATIONS FOR EVALUATING PROJECTS

- **The capacity of the applicant group to complete the project should be evident in the proposal.** The scope of the project should be reasonable in relation to the track record of the organization and/or the experience of its personnel, and/or by a formal capacity-building plan with professional contractors. In evaluating capacity, the Office of Community Development takes into account a variety of factors, including (but not limited to) track record on similar projects, experience of current staff, and extent of other activities and development projects to which the applicant is currently committed.
- **Communities proposing a rental rehabilitation activity must demonstrate an active code enforcement policy and/or an appropriate strategy to assure both that (a) landlords will be motivated to participate, and (b) other rental properties, not assisted by the program, are maintained.** CD's resources are never sufficient to address rental housing quality issues community-wide; applicants are expected to provide evidence that sufficient community resources can be leveraged to maintain a reasonable standard for rental housing throughout the target area.
- **Although non-entitled local governments over 3,000 population and community-based nonprofits may apply for *targeted* homeowner rehab programs, we plan to avoid duplication of county-wide or city-wide programs.** These targeted programs will be expected to present special circumstances that explain why this target area should not simply avail itself of services provided by the county or city.
- **Homeowner rehab must provide for broad outreach to all eligible residents of the area.** Homeowner rehab is generally best undertaken by organizations which can be held accountable for providing adequate program outreach. This outreach component will be a major factor in the evaluation of the proposal.
- **Homebuyer programs can't depend on fixing bad credit.** Homebuyer programs should generally be limited to buyers who are qualified borrowers or nearly mortgage-ready at the time of the sale. All homebuyer programs must demonstrate an adequate homeownership counseling component.
- **Private DPA programs such as Ameri-Dream and Neighborhood Gold are prohibited** unless specifically approved after MSHDA review. These programs charge a fee and increase the sale price to provide "DPA" to bring a property back down to its original market value; these are not comparable to "the best mortgage typically available on the conventional market." The mortgage market is awash with products which take advantage of the emotional involvement and limited understanding of homebuyers. If staff members are unfamiliar with a program, ask. (Note: "Ameridream" is not related to HUD's "American Dream Down Payment Initiative.")
- **Projects requesting funding to house special populations must provide evidence of capacity to serve this population and document the existence of ongoing operating and support services for the project.** Evidence of capacity can be in the form of "formal" partnerships with service providers who have a track record. The plan for long-term operations must be realistic and feasible. Existence of support service resources must be evaluated reasonably, with the understanding that long-term projections may be the best that circumstances allow.
- **If the applicant group does not appear to have the capacity to implement the proposed project, the applicant may be considered for Technical Assistance.** OCD provides tools and other assistance to nonprofits and local governments for self-assessment, assessment by CD staff, and/or assessment by contracted consultants, depending in the situation. Once a group's capacity is evaluated in light of its organizational goals and the local housing needs, OCD can often assign additional technical assistance, as appropriate.

- **The applicant should demonstrate an understanding of the way different funding sources, including grant funds, are used efficiently in a project.** As capacity among nonprofits and local governments has increased, funding for subsidies has become relatively more scarce. As a result, grantees should demonstrate the ability to use a variety of sources, including construction financing to increase the production of affordable units that can be produced from their HRF grant. To encourage leveraging, OCD permits applicants to request that a developer fee be included in their project budgets in lieu of an administration line item. However, grantees need to assure that development projects are not "over-leveraged." For homebuyer projects, this means that construction financing cannot exceed an amount that can be repaid from sale of the property at market value for the neighborhood. For rental projects, applicants must assure that end financing can be repaid and the project maintained from rental income. In order to assure that these risks are minimized, the HRF application includes standard work sheets, called "pro formas" to help applicants estimate the amount of subsidy funds that are required. These pro formas are important tools for the analysis of affordable housing projects, and grantees will be evaluated based on their ability to meet production targets. As a result, the ability to use grant funds efficiently depends on a basic understanding of financing real estate development, including the typical sources and uses of funds in a real estate transaction and/or development project.
- **Lower income households require deeper subsidies.** In its efforts to provide affordable housing, MSHDA recognizes that the more affordable the housing, the higher the subsidy is likely to be. OCD will make considerations for the additional cost of making housing more affordable as long as (a) the investment is reasonable, (b) the income levels and credit records of the buyers or tenants are sufficient enough to assure that the property is likely to be maintained and timely payments made, and (c) there are no less expensive reasonable alternatives in the local housing market.
- **Ask questions; conduct reality checks.** CD staff should raise reasonable questions about all elements of a project as proposed in the application and project set-up. Examples: Are the promised impacts of a project reasonable? Are subsidy levels reasonable for the market? Will the limited market of homeowners or landlords be willing to accept the required lien provisions? Is there a market for new construction (i.e., more housing units) in a neighborhood with very low property values? If a grantee is projecting high development subsidies *and* high homebuyer subsidies, what's going on?